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UNCLAS SECTION 01 OF 02 AMMAN 007495

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SUBJECT: TEXTILES AND APPAREL SECTOR: UPDATED STATISTICS  
AND PROJECTION OF FUTURE COMPETITIVENESS - JORDAN

REF: STATE 146213

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¶1. (U) Following is post's response to reftel request for data and answers to questions on Jordan's textiles and apparel sector. Post will provide septel further analysis of Jordan's unique position as a country with a growing apparel industry attempting to serve both the U.S. and European markets based on preferential trade agreements.

¶2. (SBU) Answers below are keyed to questions in reftel paragraphs 4 and 5, which are repeated here. Data for calendar years 2003, 2004 and the first half of 2005.  
(SOURCE: GOJ Department of Statistics):

	2003	2004	2005
	(first half)		
<u>¶A.</u> Total industrial production (USD billions)	2.03 bn	2.40 bn	1.25 bn
<u>¶B.</u> Total textile and apparel production for exports (USD millions)	188-243*	276-358*	138-178*
<u>¶C.</u> Item B/Item A (percentage)	9.3-11.9	11.5-14.9	11.0-14.2
<u>¶D.</u> Textile/apparel percentage share of: -- Imports	10.3	9.7	7.9
-- Exports of which QIZ Non-QIZ	29.4 24.83 4.59	31.4 28.45 2.98	29.7 25.96 3.70
<u>¶E.</u> Total manufacturing employment	171,198**	161,998**	na
<u>¶F.</u> Total textiles/apparel employment (% of all mfr. jobs)	26.5	33.7	--

\* NOTE: Jordan does not report accurate data on gross industrial outputs; the GOJ relies on incomplete self-reporting by factories. The textile/apparel range is a crude estimate of gross output values based on 27-35 percent value added to the FOB price of exports. (No data available for the small domestic production market.)

\*\* NOTE: The employment data are based on an unsophisticated employment survey that tries to discern all economically active residents in Jordan and, among those, individuals employed in the manufacturing sector.

¶3. (U) QIZ factories are exporting duty free to the U.S. garments with 8 percent Israeli content (and before 2005, quota-free). More than 95 percent of QIZ factory output is in apparel, which constituted more than \$920 million in QIZ exports to the U.S. alone in 2004. QIZ apparel are shipped direct to buyers such as Macy's, Lee, Levi's, JC Penney, Walmart, Nordstrom's, and Gap. QIZ factories now account for more than 95 percent of all apparel workers in Jordan, by most estimates. The Ministry of Industry and Trade (MOIT) tracks the QIZ labor force, and reported in September 2005 a total of 53,353 QIZ employees, of which 33,928 (64%) are foreign. According to a textile union leader, there may be an additional 1,400 apparel workers outside the QIZs, some in factories, but most in small production shops. This source reported that most production shops have been absorbed into the QIZ system as subcontractors and that there are fewer

textile workers outside this system than in previous years.

**14. (SBU) -- Are host country producers receiving lower prices due to heightened international competition?**

ANSWER: Producers report competition consistent with the previous year.

-- Have the manufacturers received more, less, or the same number of orders as in years past? Have foreign investors, including Asian investors, closed factories or otherwise pulled out of local production?

ANSWER: Orders were slow in coming at the beginning of the year, but then picked up dramatically in March. Most of the 50 factories shipping direct under the QIZ program have enough orders to last the year. Over the next several weeks, managers will learn whether next season's orders will come to Jordan.

-- The USG has approved seven safeguards in 2005 to restrict the growth of Chinese imports in those product categories, and the European Union has reached an agreement with China to limit import growth of certain textiles and apparel products.

Have the U.S. safeguards or the EU deal affected the export prospects for your host country manufacturers? Has your host government implemented, or is it considering implementing safeguards or other measures to reduce the growth of imports of Chinese textiles and apparel products into the host country?

ANSWER: Safeguards probably resulted in more orders going to Jordanian firms, hence export prospects increased. Jordan is not likely to impose safeguards.

-- Has increased global competition affected local labor conditions by causing employers to reduce wages, seek flexibility from government required minimum wages, or adversely affected union organizing?

ANSWER: Jordan's Ministry of Labor would not permit wages to fall below the minimum set by law. However, the former trend of wage increases in QIZs has now halted. Foreign workers have contracts, but will not see as many opportunities to earn bonuses as before.

-- Has the government or private industry taken action to increase the host country's competitiveness, such as improving infrastructure, reducing bureaucratic requirements, developing the textiles (fabric production) industry, moving to higher value-added goods, or identifying niche markets. Does post think that the host government or private industry's strategy will be successful?

ANSWER: The GOJ has taken an aggressive posture to do all that it can within WTO parameters to improve the industry's competitiveness. A strategy that aims to exploit a QIZ-type arrangement with Europe (a nearby market) and continuing access to the U.S. market - either under the QIZ or the bilateral Free Trade Agreement (FTA) - appears to be one that will sustain the industry at a baseline level for some years to come.

-- If your host government is the partner in a free trade agreement or a beneficiary of a preference program such as AGOA, CBTPA, or ATPDEA, will this be sufficient for the country to remain competitive?

ANSWER: The FTA is necessary but not sufficient to sustain Jordan's industry. The combination of access to both Europe (through the Euro-Med Agreement) and the U.S. (through QIZs and the FTA), is the main factor that will allow the apparel industry to be competitive in some areas.

-- Overall, if not already addressed, does post think that the host country can be competitive in textiles and apparel exports with the end of global textiles and apparel quotas?

ANSWER: Overall, Jordan can be competitive. However, recruiting local labor to the factories (note the 64 percent foreign labor force, mentioned above) remains a continuing problem.

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